

EXHIBIT B

**COUNTERPART _____
OF 110 COUNTERPARTS**

CAROLINA POWER & LIGHT COMPANY

TO

**THE BANK OF NEW YORK
(formerly Irving Trust Company)**

AND

DOUGLAS J. MACINNES

**(successor to Frederick G. Herbst, Richard H. West, J.A. Austin, E.J. McCabe,
G. White, D.W. May, J.A. Vaughan, Joseph J. Arney, Wafaa Orfy and W.T. Cunningham)**

*as Trustees under Carolina Power &
Light Company's Mortgage and Deed
of Trust, dated as of May 1, 1940*

Supplemental Indenture

Providing among other things for
[First Mortgage Bonds, _____ % Series due _____]
[First Mortgage Bonds, _____ % Senior Note Series Due _____]
(_____ Series)

Dated as of _____

Prepared by and Return to:
Hunton & Williams (TSG)
Post Office Box 109
Raleigh, North Carolina 27602

SUPPLEMENTAL INDENTURE

INDENTURE, dated as of _____, 20__, by and between CAROLINA POWER & LIGHT COMPANY, a corporation of the State of North Carolina, whose post office address is 410 South Wilmington Street, Raleigh, North Carolina 27601 (hereinafter sometimes called the Company), and THE BANK OF NEW YORK (formerly Irving Trust Company), a corporation of the State of New York, whose post office address is 101 Barclay Street, New York, New York 10286 (hereinafter sometimes called the Corporate Trustee), and DOUGLAS J. MACINNES (successor to Frederick G. Herbst, Richard H. West, J.A. Austin, E.J. McCabe, G. White, D.W. May, J.A. Vaughan, Joseph J. Arney, Wafaa Orfy and W.T. Cunningham), whose post office address is 1784 W. McGalliard Avenue, Hamilton, New Jersey 08610 (the Corporate Trustee and the Individual Trustee being hereinafter together sometimes called the Trustees), as Trustees under the Mortgage and Deed of Trust, dated as of May 1, 1940 (hereinafter called the Mortgage), which Mortgage was executed and delivered by the Company to Irving Trust Company (now The Bank of New York) and Frederick G. Herbst to secure the payment of bonds issued or to be issued under and in accordance with the provisions of the Mortgage, reference to which Mortgage is hereby made, this Indenture (hereinafter sometimes called the _____ Supplemental Indenture) being supplemental thereto:

WHEREAS, the Mortgage was recorded in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, the Mortgage was indexed and cross-indexed in the real and chattel mortgage records in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, an instrument, dated as of June 25, 1945, was executed by the Company appointing Richard H. West as Individual Trustee in succession to said Frederick G. Herbst (deceased) under the Mortgage, and by Richard H. West accepting said appointment, which instrument was recorded in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, an instrument, dated as of December 12, 1957, was executed by the Company appointing J.A. Austin as Individual Trustee in succession to said Richard H. West (resigned) under the Mortgage, and by J.A. Austin accepting said appointment, which instrument was recorded in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, an instrument, dated as of April 15, 1966, was executed by the Company appointing E.J. McCabe as Individual Trustee in succession to said J.A. Austin (resigned) under the Mortgage, and by E.J. McCabe accepting said appointment, which instrument was recorded in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, by the Seventeenth Supplemental Indenture mentioned below, the Company, among other things, appointed G. White as Individual Trustee in succession to said E.J. McCabe (resigned), and G. White accepted said appointment; and

WHEREAS, by the Nineteenth Supplemental Indenture mentioned below, the Company, among other things, appointed D.W. May as Individual Trustee in succession to said G. White (resigned), and D.W. May accepted said appointment; and

WHEREAS, by the Thirty-fifth Supplemental Indenture mentioned below, the Company, among other things, appointed J.A. Vaughan as Individual Trustee in succession to said D.W. May (resigned), and J.A. Vaughan accepted said appointment; and

WHEREAS, an instrument, dated as of June 27, 1988, was executed by the Company appointing Joseph J. Arney as Individual Trustee in succession to said J.A. Vaughan (resigned) under the Mortgage, and by Joseph J. Arney accepting said appointment, which instrument was recorded in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, by the Forty-fifth Supplemental Indenture mentioned below, the Company, among other things, appointed Wafaa Orfy as Individual Trustee in succession to said Joseph J. Arney (resigned), and Wafaa Orfy accepted said appointment; and

WHEREAS, by the Forty-ninth Supplemental Indenture mentioned below, the Company, among other things, appointed W.T. Cunningham as Individual Trustee in succession to said Wafaa Orfy (resigned), and W.T. Cunningham accepted said appointment; and

WHEREAS, by the Sixty-sixth Supplemental Indenture mentioned below, the Company, among other things, appointed Douglas J. MacInnes as Individual Trustee in succession to said W.T. Cunningham (resigned), and Douglas J. MacInnes accepted said appointment; and

WHEREAS, such instruments were indexed and cross-indexed in the real and chattel mortgage records in various Counties in the States of North Carolina and South Carolina; and

WHEREAS, by the Mortgage, the Company covenanted that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired intended to be subject to the lien thereof; and

WHEREAS, for said purposes, among others, the Company executed and delivered to the Trustees the following supplemental indentures:

<u>Designation</u>	<u>Dated as of</u>
First Supplemental Indenture	January 1, 1949
Second Supplemental Indenture	December 1, 1949
Third Supplemental Indenture	February 1, 1951
Fourth Supplemental Indenture	October 1, 1952
Fifth Supplemental Indenture	March 1, 1958
Sixth Supplemental Indenture	April 1, 1960
Seventh Supplemental Indenture	November 1, 1961
Eighth Supplemental Indenture	July 1, 1964
Ninth Supplemental Indenture	April 1, 1966
Tenth Supplemental Indenture	October 1, 1967
Eleventh Supplemental Indenture	October 1, 1968
Twelfth Supplemental Indenture	January 1, 1970
Thirteenth Supplemental Indenture	August 1, 1970
Fourteenth Supplemental Indenture	January 1, 1971
Fifteenth Supplemental Indenture	October 1, 1971
Sixteenth Supplemental Indenture	May 1, 1972
Seventeenth Supplemental Indenture	May 1, 1973
Eighteenth Supplemental Indenture	November 1, 1973
Nineteenth Supplemental Indenture	May 1, 1974
Twentieth Supplemental Indenture	December 1, 1974
Twenty-first Supplemental Indenture	April 15, 1975
Twenty-second Supplemental Indenture	October 1, 1977
Twenty-third Supplemental Indenture	June 1, 1978
Twenty-fourth Supplemental Indenture	May 15, 1979
Twenty-fifth Supplemental Indenture	November 1, 1979
Twenty-sixth Supplemental Indenture	November 1, 1979
Twenty-seventh Supplemental Indenture	April 1, 1980
Twenty-eighth Supplemental Indenture	October 1, 1980
Twenty-ninth Supplemental Indenture	October 1, 1980

<u>Designation</u>	<u>Dated as of</u>
Thirtieth Supplemental Indenture	December 1, 1982
Thirty-first Supplemental Indenture	March 15, 1983
Thirty-second Supplemental Indenture	March 15, 1983
Thirty-third Supplemental Indenture	December 1, 1983
Thirty-fourth Supplemental Indenture	December 15, 1983
Thirty-fifth Supplemental Indenture	April 1, 1984
Thirty-sixth Supplemental Indenture	June 1, 1984
Thirty-seventh Supplemental Indenture	June 1, 1984
Thirty-eighth Supplemental Indenture	June 1, 1984
Thirty-ninth Supplemental Indenture	April 1, 1985
Fortieth Supplemental Indenture	October 1, 1985
Forty-first Supplemental Indenture	March 1, 1986
Forty-second Supplemental Indenture	July 1, 1986
Forty-third Supplemental Indenture	January 1, 1987
Forty-fourth Supplemental Indenture	December 1, 1987
Forty-fifth Supplemental Indenture	September 1, 1988
Forty-sixth Supplemental Indenture	April 1, 1989
Forty-seventh Supplemental Indenture	August 1, 1989
Forty-eighth Supplemental Indenture	November 15, 1990
Forty-ninth Supplemental Indenture	November 15, 1990
Fiftieth Supplemental Indenture	February 15, 1991
Fifty-first Supplemental Indenture	April 1, 1991
Fifty-second Supplemental Indenture	September 15, 1991
Fifty-third Supplemental Indenture	January 1, 1992
Fifty-fourth Supplemental Indenture	April 15, 1992
Fifty-fifth Supplemental Indenture	July 1, 1992
Fifty-sixth Supplemental Indenture	October 1, 1992
Fifty-seventh Supplemental Indenture	February 1, 1993
Fifty-eighth Supplemental Indenture	March 1, 1993
Fifty-ninth Supplemental Indenture	July 1, 1993
Sixtieth Supplemental Indenture	July 1, 1993
Sixty-first Supplemental Indenture	August 15, 1993
Sixty-second Supplemental Indenture	January 15, 1994
Sixty-third Supplemental Indenture	May 1, 1994
Sixty-fourth Supplemental Indenture	August 15, 1997
Sixty-fifth Supplemental Indenture	April 1, 1998
Sixty-sixth Supplemental Indenture	March 1, 1999
Sixty-seventh Supplemental Indenture	March 1, 2000
Sixty-eighth Supplemental Indenture	April 1, 2000
Sixty-ninth Supplemental Indenture	June 1, 2000
Seventieth Supplemental Indenture	July 1, 2000

which supplemental indentures (other than said Sixty-fifth Supplemental Indenture and said Sixty-seventh Supplemental Indenture) were recorded in various Counties in the States of North Carolina and South Carolina, and were indexed and cross-indexed in the real and chattel mortgage or security interest records in various Counties in the States of North Carolina and South Carolina; and

¹ Here will be inserted additional executed supplemental indentures.

WHEREAS, no recording or filing of said Sixty-fifth Supplemental Indenture in any manner or place is required by law in order to fully preserve and protect the security of the bondholders and all rights of the Trustees or is necessary to make effective the lien intended to be created by the Mortgage or said Sixty-fifth Supplemental Indenture; and said Sixty-seventh Supplemental Indenture was recorded only in Rowan County, North Carolina to make subject to the lien of the Mortgage, as supplemented, certain property of the Company located in said County intended to be subject to the lien of the Mortgage, as supplemented, all in accordance with Section 42 of the Mortgage; and

WHEREAS, the Mortgage and said First through Sixty-seventh Supplemental Indentures (other than said Sixty-fifth and said Sixty-seventh Supplemental Indentures) were or are to be recorded in all Counties in the States of North Carolina and South Carolina in which this _____ Supplemental Indenture is to be recorded; and

WHEREAS, in addition to the property described in the Mortgage, as heretofore supplemented, the Company has acquired certain other property, rights and interests in property; and

WHEREAS, the Company has heretofore issued, in accordance with the provisions of the Mortgage, as supplemented, the following series of First Mortgage Bonds:

<u>Series</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding</u>
3-3/4% Series due 1965	\$ 46,000,000	None
3-1/8% Series due 1979	20,100,000	None
3-1/4% Series due 1979	43,930,000	None
2-7/8% Series due 1981	15,000,000	None
3-1/2% Series due 1982	20,000,000	None
4-1/8% Series due 1988	20,000,000	None
4-7/8% Series due 1990	25,000,000	None
4-1/2% Series due 1991	25,000,000	None
4-1/2% Series due 1994	30,000,000	None
5-1/8% Series due 1996	30,000,000	None
6-3/8% Series due 1997	40,000,000	None
6-7/8% Series due 1998	40,000,000	None
8-3/4% Series due 2000	40,000,000	None
8-3/4% Series due August 1, 2000	50,000,000	None
7-3/8% Series due 2001	65,000,000	None
7-3/4% Series due October 1, 2001	70,000,000	None
7-3/4% Series due 2002	100,000,000	None
7-3/4% Series due 2003	100,000,000	None
8-1/8% Series due November 1, 2003	100,000,000	None
9-3/4% Series due 2004	125,000,000	None
11-1/8% Series due 1994	50,000,000	None
11% Series due April 15, 1984	100,000,000	None
8-1/2% Series due October 1, 2007	100,000,000	None
9-1/4% Series due June 1, 2008	100,000,000	None
10-1/2% Series due May 15, 2009	125,000,000	None
12-1/4% Series due November 1, 2009	100,000,000	None
Pollution Control Series A	63,000,000	None
14-1/8% Series due April 1, 1987	125,000,000	None
Pollution Control Series B	50,000,000	None
Pollution Control Series C	6,000,000	None
11-5/8% Series due December 1, 1992	100,000,000	None
Pollution Control Series D	48,485,000	\$ 48,485,000
Pollution Control Series E	5,970,000	5,970,000

12-7/8% Series due December 1, 2013	100,000,000	None
Pollution Control Series F	34,700,000	34,700,000
13-3/8% Series due April 1, 1994	100,000,000	None

<u>Series</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding</u>
Pollution Control Series G	122,615,000	None
Pollution Control Series H	70,000,000	None
Pollution Control Series I	70,000,000	None
Pollution Control Series J	6,385,000	1,795,000
Pollution Control Series K	2,580,000	2,580,000
Extendible Series due April 1, 1995	125,000,000	None
11-3/4% Series due October 1, 2015	100,000,000	None
8-7/8% Series due March 1, 2016	100,000,000	None
8-1/8% Series due July 1, 1996	125,000,000	None
8-1/2% Series due January 1, 2017	100,000,000	None
9.174% Series due December 1, 1992	100,000,000	None
9% Series due September 1, 1993	100,000,000	None
9.60% Series due April 1, 1991	100,000,000	None
Secured Medium-Term Notes, Series A	200,000,000	None
8-1/8% Series due November 15, 1993	100,000,000	None
Secured Medium-Term Notes, Series B	100,000,000	None
8-7/8% Series due February 15, 2021	125,000,000	None
9% Series due April 1, 2022	100,000,000	None
8-5/8% Series due September 15, 2021	100,000,000	100,000,000
5.20% Series due January 1, 1995	125,000,000	None
7-7/8% Series due April 15, 2004	150,000,000	150,000,000
8.20% Series due July 1, 2022	150,000,000	150,000,000
6-3/4% Series due October 1, 2002	100,000,000	100,000,000
6-1/8% Series due February 1, 2000	150,000,000	None
7-1/2% Series due March 1, 2023	150,000,000	150,000,000
5-3/8% Series due July 1, 1998	100,000,000	None
Secured Medium-Term Notes, Series C	200,000,000	None
6-7/8% Series due August 15, 2023	100,000,000	100,000,000
5-7/8% Series due January 15, 2004	150,000,000	150,000,000
Pollution Control Series L	72,600,000	72,600,000
Pollution Control Series M	50,000,000	50,000,000
6.80% Series due August 15, 2007	200,000,000	200,000,000
5.95% Senior Note Series due March 1, 2009	400,000,000	400,000,000
7.50% Senior Note Series Due April 1, 2005	300,000,000	300,000,000
Pollution Control Series N	67,300,000	67,300,000
Pollution Control Series O	55,640,000	55,640,000
Pollution Control Series P	50,000,000	50,000,000
Pollution Control Series Q	50,000,000	50,000,000
Pollution Control Series R	45,600,000	45,600,000
Pollution Control Series S	41,700,000	41,700,000
Pollution Control Series T	50,000,000	50,000,000
Pollution Control Series U	50,000,000	50,000,000
Pollution Control Series V	87,400,000	87,400,000

² which bonds are sometimes called bonds of the First through Seventy-ninth Series, respectively; and

² Here will be inserted additional outstanding Series.

WHEREAS, Section 8 of the Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of the coupons to be attached to coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the Mortgage as said Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS, Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein, or in any supplemental indenture, or may establish the terms and provisions of any series of bonds other than said First Series, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

WHEREAS, the Company now desires to create _____ new series of bonds and to add to its covenants and agreements contained in the Mortgage, as heretofore supplemented, certain other covenants and agreements to be observed by it and to alter and amend in certain respects the covenants and provisions contained in the Mortgage, as heretofore supplemented; and

WHEREAS, the execution and delivery by the Company of this _____ Supplemental Indenture, and the terms of the bonds of the _____ Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate resolutions of said Board of Directors;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the Company, in consideration of the premises and of One Dollar to it duly paid by the Trustees at or before the enrolling and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights of the Trustees and in order further to secure the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, according to their tenor and effect and the performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms (subject, however, to Excepted Encumbrances as defined in Section 6 of the Mortgage) unto The Bank of New York and Douglas J. MacInnes, as Trustees under the Mortgage, and to their successor or successors in said trust, and to said Trustees and their successors and assigns forever, all the following described properties of the Company:

All electric generating plants, stations, transmission lines, and electric distribution systems, including permanent improvements, extensions or additions to or about such electrical plants, stations, transmission lines and distribution systems of the Company; all dams, power houses, power sites, buildings, generators, reservoirs, pipe lines, flumes, structures and works; all substations, transformers, switchboards, towers, poles, wires, insulators, and other appliances and equipment, and the Company's rights or interests in the land upon which the same are situated, and all other property, real or personal, forming a part of or appertaining to, or used, occupied or enjoyed in connection with said generating plants, stations, transmission lines, and distribution systems; together with all rights of way, easements, permits, privileges, franchises and rights for or related to the construction, maintenance, or operation thereof, through, over, under or upon any public streets or highways, or the public lands of the United States, or of any State or other lands; and all water appropriations and water rights, permits and privileges; including all property, real, personal, and mixed, acquired by the Company after the date of the execution and delivery of the Mortgage, in addition to property covered by the above-mentioned supplemental indentures (except any herein or in the Mortgage, as heretofore

supplemented, expressly excepted), now owned or, subject to the provisions of Section 87 of the Mortgage, hereafter acquired by the Company and wheresoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this _____ Supplemental Indenture) all lands, power sites, flowage rights, water rights, flumes, raceways, dams, rights of way and roads; all steam and power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, steam heat and hot water plants, lines, service and supply systems, bridges, culverts, tracts, ice or refrigeration plants and equipment, street and interurban railway systems, offices, buildings and other structures and the equipment thereof; all machinery, engines, boilers, dynamos, electric and gas machines, regulators, meters, transformers, generators, motors, electrical, gas and mechanical appliances, conduits, cables, water, steam heat, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, wires, cables, tools, implements, apparatus, furniture, chattels and choses in action; all municipal and other franchises, consents or permits; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose including poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by the Company that, subject to the provisions of Section 87 of the Mortgage, all the property, rights and franchises acquired by the Company after the date hereof (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted) shall be and are as fully granted and conveyed hereby and as fully embraced within the lien hereof and the lien of the Mortgage as if such property, rights and franchises were now owned by the Company and were specifically described herein and conveyed hereby.

PROVIDED THAT the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this _____ Supplemental Indenture and from the lien and operation of the Mortgage, namely: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not hereafter specifically pledged, paid, deposited or delivered under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business and fuel, oil and similar materials and supplies consumable in the operation of any properties of the Company; rolling stock, buses, motor coaches, vehicles and automobiles; (3) bills, notes and accounts receivable, and all contracts, leases and operating agreements not specifically pledged under the Mortgage, as heretofore supplemented, or this _____ Supplemental Indenture or covenanted so to be; (4) electric energy and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; and (5) any property and rights heretofore released from the lien of the Mortgage; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage and this _____ Supplemental Indenture in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event and as of the date that either or both of the Trustees or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XII of the Mortgage by reason of the occurrence of a Default as defined in said Article XII.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto the Trustees, their successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as heretofore supplemented, this _____ Supplemental Indenture being supplemental to the Mortgage.

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as heretofore supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and the Trustees and the beneficiaries of the trust with respect to said property, and to the Trustees and their successors as Trustees of said property in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Mortgage and had been specifically and at length described in and conveyed to the Trustees by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustees and their successor or successors in such trust under the Mortgage as follows:

ARTICLE I

_____ SERIES OF BONDS

SECTION 1. There shall be a series of bonds designated “_ % Series due _____” (herein sometimes referred to as the “_____ Series”), each of which shall also bear the descriptive title “First Mortgage Bond”, and the form thereof, which shall be established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the _____ Series shall be initially issued in the aggregate principal amount of \$ _____, mature on _____, bear interest at the rate of _ % per annum, payable from _____, 20__, if the date of said bonds is prior to _____, 20__, or, if the date of said bonds is after _____ 20__, from the _____ or _____ next preceding the date of said bonds, and thereafter semi-annually on _____ and _____ of each year, be issued as fully registered bonds in the denominations of One Thousand Dollars and, at the option of the Company, in any multiple or multiples of One Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof) and be dated as in Section 10 of the Mortgage provided, the principal of and interest on each said bond to be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts.

³[SECTION 1. There shall be a series of bonds designated “_ % Senior Note Series Due _____” (herein sometimes referred to as the “_____ series”), each of which shall also bear the descriptive title “First Mortgage Bond”, and the form thereof, which shall be established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Section specified. Bonds of the _____ Series shall be initially issued in the aggregate principal amount of \$ _____, mature on _____, bear interest at the rate of _____ % per annum, payable from _____, if the date of said bonds is prior to _____, or, if the date of said bonds is after _____, from the _____ or _____ next preceding the date of said bonds, and thereafter semi-annually on _____ and _____ of each year, be issued as fully registered bonds in the denominations of One Thousand Dollars and, at the option of the Company, in any multiple or multiples of One Thousand Dollars (the exercise of such option to be evidenced by the execution and delivery thereof) and be dated as in Section 10 of the Mortgage provided, the principal of and interest on each said bond to be payable at the office or agency of the

³ These provisions will be inserted in lieu of the first paragraph of Section 1 above in any supplemental indenture relating to the issuance of First Mortgage Bonds which are designated “_ % Senior Note Series Due _____.”

Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts.]

(I) Bonds of the _____ Series shall be redeemable after _____, _____ at the option of the Company or by the application (either at the option of the Company or pursuant to the requirements of the Mortgage) of cash deposited with the Corporate Trustee pursuant to any of the provisions of Section 38, Section 39 or Section 64 of the Mortgage or with the Proceeds of Released Property in whole at any time, or in part from time to time, prior to maturity, upon notice as provided in Sections 52 and 54 of the Mortgage (given by mail at least 30 days and not more than 90 days prior to the date fixed for redemption), at the following general redemption prices, expressed in percentages of the principal amount of the bonds to be redeemed:

GENERAL REDEMPTION PRICES

If redeemed during 12 months period ending _____,

together, in each case, with accrued interest on the principal amount thereof to the date fixed for redemption.

⁴[(I) The bonds of the _____ Series shall be redeemable at the option of the Company or by the application (either at the option of the Company or pursuant to the requirements of the Mortgage) of cash deposited with the Corporate Trustee pursuant to any of the provisions of Sections 38, 39 or 64 of the Mortgage or with the Proceeds of Released Property in whole at any time, or in part from time to time, prior to maturity, upon notice as provided in Sections 52 and 54 of the Mortgage (given by mail at least 30 days and not more than 90 days prior to the date fixed for redemption (the "Redemption Date")), at a redemption price equal to the greater of (i) 100% of their principal amount or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the Redemption Date to the maturity date, computed by discounting such payments, in each case, to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Yield plus __ basis points, plus in each case accrued interest on the principal amount thereof to the Redemption Date.

"Treasury Yield" means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker having a maturity comparable to the remaining term of the bonds of the _____ Series that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the bonds of the _____ Series. "Independent Investment Banker" means _____ or, if such firm is unwilling or unable to select the Comparable Treasury Issue, an independent investment banking institution of national standing selected by the Company and appointed by the Corporate Trustee.

⁴ This provision may be inserted in lieu of clause (I) of Section 1 above.

"Comparable Treasury Price" means, with respect to any Redemption Date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such Redemption Date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Company obtains fewer than four Reference Treasury Dealer Quotations, the average of all such Quotations.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Corporate Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Corporate Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such Redemption Date. The Company shall furnish the Corporate Trustee a notice in writing at least five business days and not more than ten business days prior to such Redemption Date of (a) the name of each Reference Treasury Dealer, (b) the Redemption Date, and (c) the third business day preceding the Redemption Date.

"Reference Treasury Dealer" means each of _____, _____, and _____, and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government Securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

The Company shall deliver to the Corporate Trustee before any Redemption Date for the bonds of the _____ Series its calculation of the redemption price applicable to such redemption. Except with respect to the obligations of the Corporate Trustee expressly set forth in the foregoing definitions of "Comparable Treasury Issue" and "Reference Treasury Dealer Quotations," the Corporate Trustee shall be under no duty to inquire into, may presume the correctness of, and shall be fully protected in acting upon the Company's calculation of any redemption price of the bonds of the _____ Series.

In lieu of stating the redemption price, notices of redemption of the bonds of the _____ Series shall state substantially the following: "The redemption price of the bonds to be redeemed shall equal the greater of (i) 100% of the principal amount of such bonds or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the Redemption Date to the maturity date, computed by discounting such payments, in each case, to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Yield (as defined in the _____ Supplemental Indenture) plus ____ basis points, plus in each case accrued interest on the principal amount thereof to the Redemption Date.]

⁵[(I) The bonds of the _____ Series are subject to redemption by the Company, at its option, in whole, at any time, or in part, from time to time, upon notice as provided in the Mortgage (not less than 30 nor more than 60 days prior to a date fixed for redemption (the "Redemption Date")) at a redemption price equal to the greater of (i) 100% of their principal amount or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the Redemption Date to the maturity date, computed by discounting such payments, in each case, to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Yield (as defined in the _____ Supplemental Indenture, dated as of _____, 20____, supplemental to the Senior Note Indenture) plus ____ basis points (____%), plus in each case accrued interest on the principal amount thereof to the Redemption Date (the "Redemption Price"), such Redemption Price to be set forth in a Treasurer's Certificate delivered to the Corporate Trustee on or before the Redemption Date and upon which the Trustees may conclusively rely.

At any time the Senior Notes or any portion thereof have become due and payable in accordance with Section _____

⁵ This provision may be inserted in lieu of clause (I) of Section 1 above in any supplemental indenture relating to the issuance of First Mortgage Bonds which are designated "_____% Senior Note Series Due _____."

505 of the Senior Note Indenture, the bonds of the _____ Series will thereupon automatically become due and payable pursuant to the redemption provisions of the preceding paragraph.

The Company covenants and agrees that, prior to the Release Date, it will not take any action that would cause the outstanding principal amount of the bonds of the _____ Series to be less than the then outstanding principal amount of the Senior Notes.]

Except as provided herein, Article X of the Mortgage, as heretofore supplemented, shall apply to redemptions of bonds of the _____ Series.

(II) At the option of the registered owner, any bonds of the _____ Series, upon surrender thereof for cancellation at the office or agency of the Company in the Borough of Manhattan, The City of New York, shall be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations. The bonds of the _____ Series may bear such legends as may be necessary to comply with any law or with any rules or regulations made pursuant thereto or with the rules or regulations of any stock exchange or to conform to usage or agreement with respect thereto.

Bonds of the _____ Series shall be transferable upon the surrender thereof for cancellation, together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

[Bonds of the _____ Series will not be transferable except (i) as required to effect an assignment to a successor trustee under the Indenture (For Senior Notes) dated as of _____, _____, between the Company and _____ as Trustee (the "Senior Note Indenture"), or as otherwise provided in Sections 407 and 409 of the Senior Note Indenture, or (ii) in compliance with a final order of a court of competent jurisdiction in connection with any bankruptcy or reorganization proceeding of the Company.]⁶

Upon any exchange or transfer of bonds of the _____ Series, the Company may make a charge therefor sufficient to reimburse it for any tax or taxes or other governmental charge required to be paid by the Company, as provided in Section 12 of the Mortgage, but the Company hereby waives any right to make a charge in addition thereto for any exchange or transfer of bonds of said Series.

[The Company's obligation to make payments with respect to the principal of, premium, if any, and or interest on, the bonds of the _____ Series shall be fully or partially satisfied and discharged to the extent that; at the time any such payment shall be due, the corresponding amount then due of principal of, and/or premium, if any, and/or interest then due on, the Company's Senior Notes, _____ % Series Due _____ (hereinafter called the "Senior Notes"), issued contemporaneously with the bonds of the _____ Series, shall have been fully or partially paid (other than by the application of the proceeds of a payment in respect of the bonds of the _____ Series), as the case may be, or there shall have been deposited with the Senior Note Trustee pursuant to the Senior Note Indenture trust funds sufficient under such indenture to fully or partially pay, as the case may be, the corresponding amount then due of principal of, and/or premium, if any and/or interest on, the Senior Notes (other than by the application of the proceeds of a payment in respect of the bonds of the _____ Series).]⁷

⁸[SECTION 2. Except as otherwise provided in Section 406 of the Senior Note Indenture, the registered owner of all bonds of the _____ Series shall be the Senior Note Trustee.]

⁶ This paragraph will be included in lieu of the preceding paragraph in a supplemental indenture relating to the issuance of First Mortgage Bonds which are designated "_____ % Senior Note Series Due _____."

⁷ This paragraph will be included in a supplemental indenture relating to the issuance of First Mortgage Bonds which are designated "_____ % Senior Note Series Due _____."

⁸ This provision will be inserted in a supplemental indenture relating to the issuance of First Mortgage Bonds which are designated "_____ % Senior Note Series Due _____."

⁹[SECTION 2. Except as otherwise provided in this Section, the registered owner of all bonds of the _____ Series shall be Cede & Co., as nominee of The Depository Trust Company ("DTC"). Payment of interest for any bonds of the _____ Series registered in the name of Cede & Co. shall be made by wire transfer to the account of Cede & Co. on the interest payment date for such bonds of the _____ Series at the address indicated for Cede & Co. in the registration books of the Company kept by the registrar, anything in the bonds of the _____ Series to the contrary notwithstanding.

The bonds of the _____ Series shall initially be issued in the form of one or more fully registered global bonds ("Global Bonds") which will have an aggregate principal amount equal to the bonds of the _____ Series represented thereby. Upon initial issuance, the ownership of the bonds of the _____ Series shall be registered in the registration books of the Company kept by the registrar in the name of Cede & Co., as nominee of DTC. The Corporate Trustee and the Company may treat DTC (or its nominee) as the sole and exclusive owner of the bonds of the _____ Series registered in its name for the purposes of payment of the principal of, or premium, if any, or interest on such bonds of the _____ Series, giving any notice permitted or required to be given to holders herein, registering the transfer of such bonds of the _____ Series, obtaining any consent or other action to be taken by holders and for all other purposes whatsoever; and neither the Trustees nor the Company shall be affected by any notice to the contrary. Neither the Trustees nor the Company shall have any responsibility or obligation to any DTC participant, any person claiming a beneficial ownership interest in bonds of the _____ Series registered in the name of Cede & Co. under or through DTC or any DTC participant, or any other person not shown on the registration books of the Company kept by the registrar as being a holder with respect to the accuracy of any records maintained by DTC, Cede & Co., or any DTC participant; the payment by DTC or any DTC participant to any beneficial owner of any amount in respect of the principal of, or premium, if any, or interest on the bonds of the _____ Series registered in the name of Cede & Co.; the delivery to any DTC participant or any beneficial owner of any notice which is permitted or required to be given to holders herein; the selection by DTC or any DTC participant of any person to receive payment in the event of a partial payment of any bonds of the _____ Series registered in the name of Cede & Co.; or any consent given or other action taken by DTC as holder. All principal of, and premium, if any, and interest on any bonds of the _____ Series registered in the name of Cede & Co., shall be paid only to or upon the order of Cede & Co., as nominee of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Company's obligations with respect to the principal of, and premium, if any, and interest on such bonds of the _____ Series to the extent of the sum or sums so paid. Upon delivery by DTC to the Corporate Trustee of written notice to the effect that DTC had determined to substitute a nominee in place of Cede & Co., as registered owner of any bonds of the _____ Series, and subject to the provisions herein with respect to record dates, the words "Cede & Co." herein shall refer to such new nominee of DTC with respect to such bonds.

A Global Bond shall be exchangeable for definitive certificates registered in the names of persons other than DTC or its nominee only if (i) DTC notifies the Company that it is unwilling or unable to continue as a depository for such Global Bond and no successor depository shall have been appointed, or if at any time DTC ceases to be a clearing agency registered to act as such depository or (ii) the Company in its sole discretion determines that such Global Bond shall be so exchangeable. In any such event, the Company shall issue, register the transfer of and exchange definitive certificates as requested by DTC in appropriate amounts and the Company shall be obligated to prepare and deliver, and the Corporate Trustee shall be obligated to authenticate, definitive certificates.

So long as any bonds of the _____ Series are registered in the name of Cede & Co., as nominee of DTC, the Company and the Corporate Trustee are hereby authorized to enter in any arrangements determined necessary or desirable with DTC in order to effectuate this Section 2 and both of them shall act in accordance with the Mortgage, as heretofore supplemented, and any such arrangements. Without limiting the generality of the foregoing, any such arrangements may alter the manner of effecting delivery of bonds of the _____ Series, the transfer of funds for the payment of the bonds of the _____ Series, and the delivery of notices to DTC.

⁹ This provision may be inserted in any supplemental indenture relating to the issuance of First Mortgage Bonds which are to be "book-entry" bonds.

In connection with any notice or other communication to be provided to holders by the Company or the Corporate Trustee with respect to any consent or other action to be taken by holders, so long as any bonds of the _____ Series are registered in the name of Cede & Co., as nominee of DTC, the Company shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date. If a record date is fixed, those persons who were holders at such record date (or their duly designated proxies), and only those persons, shall be entitled in consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such persons continue to be holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.]

¹⁰[SECTION 3. Upon payment of the principal of, and premium if any, and interest due on the Senior Notes, whether at maturity or prior to maturity by acceleration, redemption or otherwise, or upon provision for the payment thereof having been made in accordance with the Senior Note Indenture (other than by the application of the proceeds of a payment in respect of such Bonds of the _____ Series), Bonds of the _____ Series in a principal amount equal to the principal amount of Senior Notes so paid or for which such provision for payment has been made shall be deemed fully paid, satisfied and discharged and the obligations of the Company thereunder shall be terminated and such Bonds of the _____ Series shall be surrendered to and canceled by the Trustees. From and after the Release Date (as defined in the Senior Note Indenture), the Bonds of the _____ Series shall be deemed fully paid, satisfied and discharged and the obligation of the Company thereunder shall be terminated. On the Release Date, the Bonds of the _____ Series shall be surrendered to and canceled by the Trustees in accordance with Section 56 of the Mortgage.

The Corporate Trustee may conclusively presume that the obligation of the Company to pay the principal of, and premium, if any, and interest on the bonds of the _____ Series as the same shall become due and payable shall have been fully satisfied and discharged unless and until it shall receive a written notice from the Senior Note Trustee, signed by its President, a Vice President or a Trust Officer, stating that the corresponding payment of principal of or interest on the Senior Notes has become due and payable and has not been fully paid and, with respect to principal and premium, if any, of the Senior Notes, specifying the principal of, and premium, if any, on the Senior Notes then due and payable and the amount of funds required to make such payment, and, with respect to interest on the Senior Note, specifying the last date to which interest has been paid and the amount of funds required to make such payment.]

ARTICLE II

DIVIDEND COVENANT

SECTION 4. The Company covenants and agrees that, so long as any of the bonds of the _____ Series remain Outstanding, the Company will not declare or pay any dividends upon its common stock (other than dividends in common stock) or make any other distributions on its common stock or purchase or otherwise retire any shares of its common stock, unless immediately after such declaration, payment, purchase, retirement or distribution (hereinafter in this Section referred to as "Restricted Payments"), and giving effect thereto, the amount arrived at by adding

(a) the aggregate amount of all such Restricted Payments (other than the dividend of fifty cents (\$.50) per share declared on December 8, 1948 and paid on February 1, 1949 to holders of Common Stock) made by the Company during the period from December 31, 1948, to and including the effective date of the Restricted Payment in respect of which the determination is being made, plus

(b) an amount equal to the aggregate amount of cumulative dividends for such period (whether or not paid) on all preferred stock of the Company from time to time outstanding during such period, at the rate or rates borne by such preferred stock, plus

¹⁰ This Section will be included in a Supplemental Indenture relating to the issuance of First Mortgage Bonds which are designated "_____% Senior Note Series Due _____."

(c) an amount equal to the amount, if any, by which fifteen per centum (15%) of the Gross Operating Revenues of the Company for such period shall exceed the aggregate amount during such period expended and/or accrued on its books for maintenance and/or appropriated on its books out of income for property retirement, in each case in respect of the Mortgaged and Pledged Property and/or automotive equipment used primarily in the electric utility business of the Company (but excluding any provisions for amortization of any amounts included in utility plant acquisition adjustment accounts or utility plant adjustment accounts),

will not exceed the amount of the aggregate net income of the Company for said period available for dividends (computed and ascertained in accordance with sound accounting practice, on a cumulative basis, including the making of proper deductions for any deficits occurring during any part of such period), plus \$3,000,000.

The Company further covenants and agrees that not later than May 1 of each year beginning with the year 20__ it will furnish to the Corporate Trustee a Treasurer's Certificate stating whether or not the Company has fully observed the restrictions imposed upon it by the covenant contained in this Section 4.

¹¹[SECTION 4. The Company covenants and agrees, that so long as any of the bonds of the _____ Series remain Outstanding, the Company will declare and pay dividends in cash or property on any shares of its common stock only either (1) out of its Surplus or (2) in case there shall be no Surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. If the Capital of the Company shall have been diminished by the depreciation in the value of its property, or by losses, or otherwise, to an amount less than the aggregate amount of the Capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets of the Company, the Board of Directors shall not declare and pay out of such net profits any dividends upon any shares of its common stock until the deficiency in the amount of Capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired.

The term "Capital" shall mean that part of the consideration received by the Company for any shares of its capital stock which has been determined by a Board Resolution to be capital, or, if the Board of Directors shall not have so determined, "Capital" shall mean an amount equal to the aggregate par value of shares having a par value, plus the amount of consideration for such shares without par value.

The term "Surplus" shall mean the excess of the net assets of the Company over its Capital.]

ARTICLE III

CERTAIN PROVISIONS WITH RESPECT TO FUTURE ADVANCES

SECTION 5. Upon the filing of this _____ Supplemental Indenture for record in all counties in which the Mortgaged and Pledged Property is located, and until a further indenture or indentures supplemental to the Mortgage shall be executed and delivered by the Company to the Trustees pursuant to authorization by the Board of Directors of the Company and filed for record in all counties in which the Mortgaged and Pledged Property is located further increasing or decreasing the amount of future advances which may be secured by the Mortgage, as supplemented, the Mortgage, as supplemented, may secure future advances and other indebtedness and sums not to exceed in the aggregate \$_____, in addition to \$_____ in aggregate principal amount of bonds to be Outstanding at the time of such filing, and all such advances and other indebtedness and sums shall be secured by the Mortgage, as supplemented, equally, to the same extent and with the same priority, as the amount originally advanced on the security of the Mortgage, namely, \$46,000,000, and such advances and other indebtedness and sums may be made or become owing and may be repaid and again made or become owing and the amount so stated shall be

¹¹ This provision may be inserted in lieu of Section 4 above.

considered only as the total amount of such advances and other indebtedness and sums as may be outstanding at one time.

¹²[ARTICLE IV

RESERVATION OF RIGHTS TO AMEND CERTAIN PROVISIONS
OF THE MORTGAGE

SECTION 6. The Company reserves the right, without any consent or other action by holders of bonds of the _____ Series or of any subsequently created series to amend the Mortgage, as heretofore amended and supplemented, as follows:

To amend subdivision (b) of clause (B) of Section 4 of the Mortgage by adding the following words at the beginning thereof:

“ten-sevenths of”

SECTION 7. The Company reserves the right, without any consent or other action by holders of bonds of the _____ Series or of any subsequently created series to amend the Mortgage, as heretofore amended and supplemented, as follows:

To amend the second and third lines of clause (A) of Section 7 of the Mortgage by replacing the phrase “within the fifteen (15) calendar months” with the phrase “within the eighteen (18) calendar months”.

SECTION 8. The Company reserves the right, without any consent or other action by holders of bonds of the _____ Series or any subsequently created series to amend the Mortgage, as heretofore amended and supplemented, as follows:

To amend the excepted property clause on page 121 of the Mortgage by deleting the word “and” at the end of subdivision (3) and adding a subdivision (5) immediately after the phrase “ordinary course of its business;” to read as follows:

and “(5) any property which does not constitute Property Additions, Funded Property or Funded Cash, as hereinafter defined;”

SECTION 9. The Company reserves the right, without any consent or other action of holders of bonds of the _____ Series or of any subsequently created series to amend the Mortgage, as heretofore amended and supplemented, as follows:

To eliminate subsection III of Section 38.

SECTION 10. The Company reserves the right, without any consent or other action by holders of bonds of the _____ Series or of any subsequently created series, to amend the Mortgage, as heretofore amended and supplemented, as follows:

To amend subsection 3(a) of Section 59 of the Mortgage to read as follows:

“(a) a Treasurer’s Certificate describing in reasonable detail the property to be released and requesting such release;

¹² Any of the provisions contained in this Article IV may be inserted in any subsequent supplemental indenture.

To amend subsection 3(b) of Section 59 of the Mortgage to read as follows:

“(b) (i) the Fair Value and (ii) the Cost (or as to Property Additions constituting Funded Property of which the Fair Value to the Company at the time the same became Funded Property was less than the Cost as determined pursuant to Section 4 hereof, then such Fair Value in lieu of Cost), in the opinion of the signers, of the property to be released; and the Cost (or as to Property Additions constituting Funded Property of which the Fair Value to the Company at the time the same became Funded Property was less than the Cost as determined pursuant to Section 4 hereof, then such Fair Value in lieu of Cost), in the opinion of the signers, of any portion thereof that is Funded Property;”

To amend the first six lines of subsection (4) of Section 59 of the Mortgage to read as follows:

“(4) an amount in cash, to be held by the Corporate Trustee as part of the Mortgaged and Pledged Property, equivalent to the amount, if any, by which the Cost (or as to Property Additions constituting Funded Property of which the Fair Value to the Company at the time the same became Funded Property was less than the Cost as determined pursuant to Section 4 hereof, then such Fair Value in lieu of Cost) of the property to be released, as specified in the Engineer’s Certificate provided for in subdivision (3) above, exceeds the aggregate of the following items:”

To amend the first sentence of subsection (4)(c) of Section 59 of the Mortgage by adding the following words at the beginning thereof:

“an amount equal to ten-sevenths of”

To amend Section 60 of the Mortgage by inserting “(I)” before the word “Unless” in the first line thereof, and by adding the following subsection (II) at the end of Section 60;

“(II) Unless the Company is in default in the payment of the interest on any bonds then Outstanding hereunder or one or more of the Defaults defined in Section 65 hereof shall have occurred and be continuing, the Company may obtain the release of any of the Mortgaged and Pledged Property that is not Funded Property, except cash then held by the Corporate Trustee (provided, however, that Prior Lien Bonds deposited with the Corporate Trustee shall not be released or surrendered except as provided in Article IX hereof and obligations secured by purchase money mortgage deposited with the Corporate Trustee shall not be released except as provided in Section 61 hereof), and the Corporate Trustee shall release all its right, title and interest in and to the same from the Lien hereof upon application of the Company and receipt by the Corporate Trustee of the following (in lieu of complying with the requirements of Section 59 hereof):

(1) a Treasurers’ Certificate describing in reasonable detail the property to be released and requesting such release, and stating:

(a) that the Company is not in default in the payment of interest on any bonds then Outstanding hereunder and that no Default has occurred and is continuing;

(b) that the property to be released is not Funded Property; and

(c) that (except in any case where a governmental body or agency has exercised a right to order the Company to divest itself of such property) such release is in the opinion of the signers desirable in the conduct of the business of the Company;

(2) an Engineer’s Certificate, made and dated not more than ninety (90) days prior to the date of such application, stating:

(a) a description of the property to be released;

(b) the Fair Value, in the opinion of the signers, of the property (or securities) to be released;

(c) that in the opinion of the signers such release will not impair the security under this Indenture in contravention of the provisions hereof; and

(d) that the Company has Property Additions constituting property that is not Funded Property (not including any Property Additions then being released) of a Cost or Fair Value to the Company (whichever is less) of not less than one dollar (\$1) (after making any deductions and any additions pursuant to the provisions of Section 4 hereof) after deducting the Cost of the property then being released; and

(3) an Opinion of Counsel stating the signer's opinion to the effect that on the delivery to the corporate Trustee of the certificates, if any, and documents specified in such Opinion of Counsel, the conditions precedent provided for in this Indenture relating to the release of the property in question have been complied with; and in case the Corporate Trustee is requested to release any franchise, further stating that in such signer's opinion such release will not impair to any material extent the right of the Company to operate any of its remaining properties."

SECTION 11. The Company reserves the right, without action of holders of bonds of _____ Series or of any subsequently created series to make such amendments to the Mortgage as heretofore amended and supplemented, and as it may be amended pursuant to the Thirteenth Supplemental Indenture, as shall be necessary in order to amend the indicated Sections of the Mortgage, as such Sections are then in effect, to read as follows:

"SECTION 112. The holders of (a) a majority in principal amount of the bonds Outstanding hereunder when such meeting is held or (b) if the action proposed at said meeting adversely affects solely the rights of the holders of one or more, but less than all, series of bonds then Outstanding, then only a majority in principal amount of those bonds then Outstanding so to be adversely affected must be present at such meeting in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn.

"SECTION 113. Subject to the provisions of Section 80 hereof, any modification or alteration of this Indenture (including any indentures supplemental hereto) and/or of the rights and obligations of the Company and/or the rights of the holders of bonds and/or coupons issued hereunder in any particular (including but not limited to the waiver of any past Default, as defined in Section 65 hereof, or other default, and its consequences), may be made at a meeting of bondholders duly convened and held in accordance with the provisions of this Article, by resolution duly adopted (a) by the affirmative vote of the holders of a majority or more in principal amount of the bonds Outstanding hereunder, or (b) if the rights of one or more, but less than all, series of bonds then Outstanding are to be adversely affected by action taken at such meeting, then only by affirmative vote of the holders of a majority in principal amount of those bonds so to be adversely affected and Outstanding hereunder when such meeting is held, considered as one class, and in every case approved by Resolution of the Board of Directors of the Company, as herein specified; provided, however, that no such modification or alteration shall, without the consent of the holder of any bond issued hereunder affected thereby, (1) impair or affect the right of such holder to receive payment of the principal of (and premium, if any) and interest on such bond, on or after the respective due dates expressed in such bond, or to institute suit for the enforcement of any such payment on or after such respective dates, or (2) permit the creation of any lien ranking prior to, or on a parity with, the Lien of this Indenture with respect to any of the Mortgaged and Pledged Property, or (3) permit the deprivation of any non-assenting bondholder of a lien upon the Mortgaged and Pledged Property for the security of his bonds (subject only to the lien of taxes, assessments or governmental charges not then delinquent and to any mortgage or other liens existing upon such property which are prior hereto at the date of the calling of any such bondholders' meeting), or (4) permit the reduction of the percentage required by the provisions of this Section for the taking of any action under this Section with respect to any bond Outstanding hereunder. For all purposes of this Article, the Trustees, subject to the provisions of Sections 88 and 89 hereof, shall be entitled to rely upon an Opinion of Counsel with respect to the extent, if any, as to which any action taken at such meeting affects the

rights under this Indenture or under any indenture supplemental hereto of any holders of bonds then Outstanding hereunder.

"Except for the purpose of waiving any past Default, as defined in Section 65 hereof, and its consequences, in which event the provisions of Section 71 hereof shall be applicable, bonds owned and/or held by and/or for account of and/or for the benefit or interest of the Company, or any corporation of which the Company shall own twenty-five per centum (25%) or more of the outstanding voting stock, shall not be deemed Outstanding for the purpose of any vote or of any calculation of bonds Outstanding in this Article XVIII provided for, except that, for the purpose of determining whether the Trustees shall be protected in relying on any such vote or calculation, only bonds which the Trustees, or either of them, know are so owned and/or held, shall be excluded.

"SECTION 116. (A) Anything in this Article contained to the contrary notwithstanding, the Corporate Trustee shall accept the written consent (in any number of instruments of similar tenor executed by bondholders or by their attorneys appointed in writing) of the holders of a majority or more in principal amount of the bonds Outstanding hereunder, or if the rights of one or more, but less than all, series of bonds then Outstanding are to be adversely affected by action taken pursuant to such consent, then the Corporate Trustee shall accept the written consent of the holders of a majority in principal amount of only such bonds so to be adversely affected and Outstanding hereunder (at the time the last such needed consent is delivered to the Corporate Trustee) in lieu of the holding of a meeting pursuant to this Article and in lieu of all action at such a meeting and with the same force and effect as a resolution duly adopted in accordance with the provisions of Section 113 hereof.

"(B) Instruments of consent shall be witnessed or in the alternative may (a) have the signature guaranteed by a bank or trust company or a registered dealer in securities, (b) be acknowledged before a Notary Public or other officer authorized to take acknowledgments, or (c) have their genuineness otherwise established to the satisfaction of the Corporate Trustee.

"The amount of bonds payable to bearer, and the series and serial numbers thereof, held by a person executing an instrument of consent (or whose attorney has executed an instrument of consent in his behalf), and the date of his holding the same, may be proved either by exhibiting the bonds themselves to the Corporate Trustee or by a certificate executed (i) by any bank, or trust or insurance company organized under the laws of the United States of America or of any state thereof, (ii) by any trustee, secretary, administrator or other proper officer of any pension, welfare, hospitalization or similar fund, (iii) by the United States of America, any Territory thereof, the District of Columbia, any State of the United States, any municipality in any State or Territory of the United States or any public instrumentality of the United States, any State or Territory, or (iv) by any other person or corporation satisfactory to the Corporate Trustee. A bondholder in any of the foregoing categories may sign a certificate in his own behalf.

"Each such certificate shall be dated and shall state in effect that as of the date thereof a coupon bond or bonds of a specified series and bearing a specified serial number or numbers was deposited with or exhibited to the signer of such certificate. The holding by the person named in any such certificate of any bond specified therein shall be presumed to continue unless (1) any certificate bearing a later date issued in respect of the same bond shall be produced, (2) the bond specified in such certificate (or any bond or bonds issued in exchange or substitution for such bond) shall be produced by another holder, or (3) the bond specified in such certificate shall be registered as to principal or shall have been surrendered in exchange for a fully registered bond registered in the name of another holder. The Corporate Trustee may nevertheless in its discretion require further proof in cases where it deems further proof desirable. The ownership of registered bonds shall be proved by the registry books.

"(C) Until such time as the Corporate Trustee shall receive the written consent of the necessary per centum in principal amount of the bonds required by the provisions of subsection (A) above for action contemplated by such consent, any holder of a bond, the serial number of which is shown by the evidence to be included in the bonds the holders of which have consented to such action, may, by filing written notice with the Corporate Trustee at its principal office and upon proof of holding as provided in subsection (B) above, revoke such consent so far as it concerns such bond. Except as aforesaid, any such consent shall be conclusive and binding upon such holder and upon all future holders of such bond (and any bond issued in lieu thereof or exchanged therefor), irrespective of whether or not any notation of such consent is made upon such bond, and in any event any action taken by the holders of the percentage in

aggregate principal amount of the bonds specified in subsection (A) above in connection with such action shall, subject to the provisions of the last sentence of Section 114 hereof, be conclusively binding upon the Company, the Trustees and the holders of all the bonds.”]

ARTICLE IV

MISCELLANEOUS PROVISIONS

SECTION 12. Subject to any amendments provided for in this _____ Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this _____ Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

¹³[SECTION 13. The provisions of the third and fourth paragraphs of Section 64 of the Mortgage with reference to the bonds of the First Series (therein called “1965 Series”) shall also be deemed to apply separately to the bonds of the _____ Series to the same extent as if such paragraphs had been repeated in said Section 64 with the words “_____ Series” substituted therein wherever the figure and word “1965 Series” occur.]

SECTION 14. The Trustees hereby accept the trusts herein declared, provided, created or supplemented and agree to perform the same upon the terms and conditions herein and in the Mortgage, as heretofore supplemented, set forth and upon the following terms and conditions:

The Trustees shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this _____ Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general each and every term and condition contained in Article XVI of the Mortgage shall apply to and form part of this _____ Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this _____ Supplemental Indenture.

SECTION 15. Subject to the provisions of Article XV and Article XVI of the Mortgage, whenever in this _____ Supplemental Indenture either of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this _____ Supplemental Indenture contained by or on behalf of the Company or by or on behalf of the Trustees shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

SECTION 16. Nothing in this _____ Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the Outstanding bonds and coupons, any right, remedy or claim under or by reason of this _____ Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this _____ Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the Outstanding bonds and coupons.

SECTION 17. This _____ Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

¹³ This provision may be inserted in any subsequent supplemental indenture.

IN WITNESS WHEREOF, Carolina Power & Light Company has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents or its Treasurer and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries, and The Bank of New York has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by one of its Vice Presidents or Assistant Vice Presidents, and its corporate seal to be attested by one of its Assistant Vice Presidents or Assistant Secretaries and Douglas J. MacInnes has hereunto set his hand and affixed his seal, all as of the day and year first above written.

CAROLINA POWER & LIGHT COMPANY

By.....

ATTEST:

.....

Executed, sealed and delivered by
CAROLINA POWER & LIGHT
COMPANY in the presence of:

.....

.....

(Trustees' Signature Page Follows)

Trustees' Signature Page

_____ Supplemental Indenture, dated as of _____, 20 __,
to Mortgage and Deed of Trust, dated as of May 1, 1940

THE BANK OF NEW YORK,
as Trustee

By

ATTEST:

.....

..... (L. S.)
DOUGLAS J. MACINNES

Executed, sealed and delivered
by THE BANK OF NEW YORK
and DOUGLAS J. MACINNES
in the presence of:

.....

.....

This ____ day of ____, A.D. 20__, personally came before me, _____, a Notary Public in and for the County aforesaid, _____, who, being by me duly sworn, says that she is the _____ of CAROLINA POWER & LIGHT COMPANY, and that the seal affixed to the foregoing instrument in writing is the corporate seal of said company, and that said writing was signed and sealed by her in behalf of said corporation by its authority duly given. And the said _____ acknowledged the said writing to be the act and deed of said corporation.

On the ____ day of ____, in the year of 20__, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that she resides at _____, State of North Carolina; that she is the _____ of CAROLINA POWER & LIGHT COMPANY, one of the corporations described in and which executed the above instrument; that she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that she signed her name thereto by like order.

NOTARY PUBLIC, State of North Carolina
Wake County
My Commission Expires _____

STATE OF NORTH CAROLINA)
) SS.:
COUNTY OF WAKE)

Personally appeared before me _____, who being duly sworn, says that she saw the corporate seal of CAROLINA POWER & LIGHT COMPANY affixed to the above written instrument, and that she also saw _____, the _____, with _____, an Assistant Secretary, of said CAROLINA POWER & LIGHT COMPANY, sign and attest the same, and that she, deponent, with _____, witnessed the execution and delivery thereof as the act and deed of said CAROLINA POWER & LIGHT COMPANY.

Sworn to before me this
_____ day of _____, 20____

NOTARY PUBLIC, State of North Carolina
Wake County
My Commission Expires _____, _____

STATE OF NEW YORK)
) SS.:
 COUNTY OF NEW YORK)

This ____ day of ____, A.D. 20 __, personally came before me, _____, a Notary Public in and for the County aforesaid, _____, who, being by me duly sworn, says that he is an Assistant Vice President of THE BANK OF NEW YORK, and that the seal affixed to the foregoing instrument in writing is the corporate seal of said company, and that said writing was signed and sealed by him in behalf of said corporation by its authority duly given. And the said _____ acknowledged the said writing to be the act and deed of said corporation.

On the ____ day of ____, in the year 20 __, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides in _____; that he is an Assistant Vice President of THE BANK OF NEW YORK, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

I, _____, a Notary Public in and for the County aforesaid, do hereby certify that DOUGLAS J. MacINNES personally appeared before me this day and acknowledged the due execution by him as successor Individual Trustee of the foregoing instrument.

On the ____ day of ____, 20 __, before me personally came DOUGLAS J. MacINNES, to me known to be the person described in and who executed the foregoing instrument and acknowledged that he, as successor Individual Trustee, executed the same.

WITNESS my hand and official seal this ____ day of ____, 20 __.

.....

 NOTARY PUBLIC, State of New York

No. _____

Qualified in _____ County

Certificate filed in New York County

Commission Expires ____, 20 __

STATE OF NEW YORK)
) SS.:
 COUNTY OF NEW YORK)

Personally appeared before me _____, who, being duly sworn, says that she saw the corporate seal of THE BANK OF NEW YORK affixed to the above written instrument and that she also saw _____, an Assistant Vice President, with _____, an Assistant Secretary, of said THE BANK OF NEW YORK, sign and attest the same, and that she, deponent, with _____, witnessed the execution and delivery thereof as the act and deed of said THE BANK OF NEW YORK.

Personally appeared before me _____, who, being duly sworn, says that she saw the within named DOUGLAS J. MacINNES, as successor Individual Trustee, sign, seal and as his act and deed deliver the foregoing instrument for the purposes therein mentioned, and that she, deponent, with _____, witnessed the execution thereof.

.....

Sworn to before me this
 ____ day of ____, 20__

.....

 NOTARY PUBLIC, State of New York
 No. _____
 Qualified in _____ County
 Certificate filed in New York County
 Commission Expires _____

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Doc #: 132637; V. 4

Doc Name: CP&L/2000 S-3 (shelf/Exh. 4(b)/form of supplemental indenture for first mortgage bonds

Author: Seal, Welton, 08220

Last Edit: 4/11/01 12:43 PM

CAROLINA POWER & LIGHT COMPANY

Senior Notes, ____% Series Due _____

UNDERWRITING AGREEMENT

To the Representative named in Schedule I hereto
of the Underwriters named in Schedule II hereto

Dear Sirs:

The undersigned Carolina Power & Light Company (the "Company") hereby confirms its agreement with each of the several Underwriters hereinafter named as follows:

1. Underwriters and Representative. The term "Underwriters" as used herein shall be deemed to mean the firm or corporation or the several firms or corporations named in Schedule II hereto and any underwriter substituted as provided in paragraph 6, and the term "Underwriter" shall be deemed to mean one of such Underwriters. If the firm or firms listed in Schedule I hereto (the "Representative") are the same as the firm or firms listed in Schedule II hereto, then the terms "Underwriters" and "Representative," as used herein, shall each be deemed to refer to such firm or firms. The Representative represents that it has been authorized by the Underwriters to execute this Agreement on their behalf and to act for them in the manner herein provided. All obligations of the Underwriters hereunder are several and not joint. If more than one firm is named in Schedule I hereto, any action under or in respect of this Agreement may be taken by such firms jointly as the Representative or by one of the firms acting on behalf of the Representative, and such action will be binding upon all the Underwriters.

2. Description of Notes. The Company proposes to issue and sell its Senior Notes of the designation, with the terms and in the amount specified in Schedule I hereto (the "Notes") in one or more new series under a governing indenture (together with any supplements, the "Senior Note Indenture") each between the Company and The Bank of New York, as trustee (the "Senior Note Trustee"), in substantially the form heretofore delivered to the Representative. Until the Release Date (as defined in the Senior Note Indenture), the Notes will be secured by one or more series of Senior Note First Mortgage Bonds (as defined in the Senior Note Indenture) issued and delivered by the Company to the Senior Note Trustee. On the Release Date, the Notes will cease to be secured by the Senior Note First Mortgage Bonds and will become unsecured obligations of the Company. The Senior Note First Mortgage Bonds securing the Notes will be issued under the Company's Mortgage and Deed of Trust, dated as of May 1, 1940, with The Bank of New York (formerly Irving Trust Company) and Frederick G. Herbst (Douglas J. MacInnes, successor) as Mortgage Trustees, as supplemented and as it will be further supplemented by a supplemental indenture relating to the Senior Note First Mortgage Bonds (the "Supplemental Indenture"), in substantially the form heretofore delivered to the Representative, said Mortgage and Deed of Trust as supplemented and to be supplemented by the Supplemental Indenture being hereinafter referred to as the "Mortgage".

3. Representations and Warranties of the Company. The Company represents and warrants to each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-3 (No. 333-_____) (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), for the registration of up to an aggregate of \$1,000,000,000 principal amount of the Company's First Mortgage Bonds, Senior Notes and Debt Securities (collectively, the "Registered Securities") in unallocated amounts, as each is defined in the Registration Statement. As of the date hereof, the Company has sold an aggregate of \$_____ principal amount of Registered Securities. The Registration Statement has been declared effective by the Commission, and the Mortgage and Senior Note Indenture have each been qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"). The term "Registration Statement" shall be deemed to include all amendments to the date hereof and all documents incorporated by reference therein (the "Incorporated Documents"). The prospectus included in the Registration Statement, as it is to be supplemented by a prospectus supplement, dated on or about the date hereof, substantially in the form delivered to the Representative prior to the execution hereof, relating to the Notes (the "Prospectus Supplement"), and all prior amendments or supplements thereto (other than amendments or supplements relating to securities of the Company other than the Notes), including the Incorporated Documents, is hereinafter referred to as the "Prospectus." Any reference herein to the terms "amend," "amendment" or "supplement" with respect to the Registration Statement or the Prospectus shall be deemed to refer to and include the filing of any document under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), deemed to be incorporated therein after the date hereof and prior to the termination of the offering of the Notes by the Underwriters; and any references herein to the terms "Registration Statement" or "Prospectus" at a date after the filing of the Prospectus Supplement shall be deemed to refer to the Registration Statement or the Prospectus, as the case may be, as each may be amended or supplemented prior to such date.

(b) Prior to the termination of the offering of the Notes, the Company will not file any amendment to the Registration Statement or supplement to the Prospectus which shall not have previously been furnished to the Representative or of which the Representative shall not previously have been advised or to which the Representative shall reasonably object in writing and which has not been approved by the Underwriter(s) or their counsel acting on behalf of the Underwriters.

(c) The Registration Statement, at the time and date it was declared effective by the Commission, complied, and the Registration Statement, the Prospectus, the Senior Note Indenture and the Mortgage, at the date the Prospectus is filed with, or transmitted for filing to, the Commission pursuant to Rule 424 under the Securities Act ("Rule 424") and at the Closing Date, will comply, in all material respects, with the applicable provisions of the Securities Act and the 1939 Act and the applicable rules and regulations of the Commission thereunder; the Registration Statement, at the time and date it was declared effective by the Commission, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus, at the date it is filed with, or transmitted for filing to, the Commission pursuant to Rule 424 and at the Closing Date, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under

which they were made, not misleading; provided, however, that the foregoing representations and warranties in this subparagraph (c) shall not apply to statements or omissions made in reliance upon and in conformity with information furnished herein or in writing to the Company by the Representative or by or on behalf of any Underwriter through the Representative expressly for use in the Prospectus or to any statements in or omissions from the Statements of Eligibility (Forms T-1 and T-2) of the trustees under the Mortgage and the Senior Note Indenture. The Incorporated Documents, when they were filed with the Commission, complied in all material respects with the applicable requirements of the Exchange Act and the rules and regulations of the Commission thereunder; and any documents so filed and incorporated by reference subsequent to the date hereof and prior to the termination of the offering of the Notes by the Underwriters will, when they are filed with the Commission, comply in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission thereunder; and, when read together with the Registration Statement and the Prospectus, none of such documents included or includes or will include any untrue statement of a material fact or omitted or omits or will omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The financial statements incorporated by reference in the Registration Statement present fairly the financial condition and operations of the Company at the respective dates or for the respective periods to which they apply; such financial statements have been prepared in each case in accordance with generally accepted accounting principles consistently applied throughout the periods involved; and Deloitte & Touche LLP, who have audited certain of the financial statements, are independent public or independent certified public accountants as required by the Securities Act or the Exchange Act and the rules and regulations of the Commission thereunder.

(e) Except as reflected in, or contemplated by, the Registration Statement and the Prospectus, since the respective dates as of which information is given in the Registration Statement and Prospectus, and prior to the Closing Date, there has not been any material adverse change in the business, property, financial condition or prospects of the Company and its subsidiaries considered as a whole; and since such dates and prior to the Closing Date, there has not been any material transaction entered into by the Company other than transactions contemplated by the Registration Statement and Prospectus or transactions arising in the ordinary course of business. The Company has no material contingent obligation that is not disclosed in the Registration Statement and Prospectus.

(f) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof on the part of the Company to be fulfilled have been duly authorized by all necessary corporate action of the Company in accordance with the provisions of its charter (the "Charter"), by-laws and applicable law; and the Notes, when issued and delivered as provided herein, will constitute legal, valid and binding obligations of the Company in accordance with their terms except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles.

(g) The Senior Note First Mortgage Bonds, when issued and delivered as provided herein, will constitute legal, valid and binding obligations of the Company in accordance with their terms except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles; provided, however, that certain remedies, waivers and other provisions of the Senior Note First Mortgage Bonds may not be enforceable,

but such unenforceability will not render the Senior Note First Mortgage Bonds invalid as a whole or affect the judicial enforcement of (i) the obligation of the Company to repay the principal, together with the interest thereon as provided in the Senior Note First Mortgage Bonds or (ii) the right of the Mortgage Trustees to exercise their right to foreclose under the Mortgage.

(h) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, the Charter, the Company's by-laws, applicable law or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its subsidiaries or any of their assets, properties or operations.

(i) The summaries of the terms of the Notes and the Senior Note First Mortgage Bonds contained in the Registration Statement and Prospectus fairly describe the provisions thereof required to be described by the registration statement form.

(j) The Company does not have any significant subsidiaries as defined in Rule 1-02 of Regulation S-X promulgated under the Securities Act.

(k) Neither the Company nor any of its subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(l) Except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings against or affecting the Company or any of its subsidiaries or properties which are likely in the aggregate, to result in any material adverse change in the financial condition, earnings, business affairs, or business prospects of the Company and its subsidiaries considered as a whole or which are likely in the aggregate to materially and adversely affect the consummation of this Agreement, the Senior Note Indenture, the Mortgage, the Notes, the Senior Note First Mortgage Bonds or the transactions contemplated herein or therein.

(m) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions herein contemplated or for the due execution, delivery or performance of the Senior Note Indenture and the Mortgage by the Company, except such as have been already obtained or as may be required under the Securities Act or state securities laws and except for the qualification of the Indenture under the 1939 Act.

(n) The Senior Note Indenture and the Mortgage (A) have been duly authorized, executed and delivered by the Company, and, assuming due authorization, execution and delivery by the Trustee and the Mortgage Trustees, respectively, constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws affecting creditor's rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity and except the effect on enforceability of federal or state law limiting, delaying or prohibiting the

making of payments outside the United States); and (B) conform in all material respects to the descriptions thereof in the Prospectus.

4. Purchase and Sale. On the basis of the representations, warranties and covenants herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to each of the Underwriters, severally and not jointly, and each such Underwriter agrees, severally and not jointly, to purchase from the Company, the respective principal amount of Notes set forth opposite the name of such Underwriter in Schedule II hereto at the purchase price set forth in Schedule I hereto.

5. Reoffering by Underwriters. The Underwriters agree to make promptly a bona fide public offering of the Notes to the public for sale as set forth in the Prospectus, subject, however, to the terms and conditions of this Agreement.

6. Time and Place of Closing; Default of Underwriters.

(a) Payment for the Notes shall be made at the place, time and date specified in Schedule I hereto against delivery of the Notes at the office of The Bank of New York, Corporate Trust Department, 101 Barclay Street, New York, New York 10286, or such other place, time and date as the Representative and the Company may agree. The hour and date of such delivery and payment are herein called the "Closing Date." Payment for the Notes shall be by wire transfer of immediately available funds against delivery to The Depository Trust Company or to _____, as custodian for The Depository Trust Company, in fully registered global form registered in the name of CEDE & Co., for the respective accounts specified by the Representative not later than the close of business on the business day prior to the Closing Date or such other date and time not later than the Closing Date as agreed by The Depository Trust Company or The Bank of New York. For the purpose of expediting the checking of the certificates by the Representative, the Company agrees to make the Notes available to the Representative not later than 10:00 A.M., on the last full business day prior to the Closing Date at said office of The Bank of New York.

(b) If one or more of the Underwriters shall, for any reason permitted hereunder, cancel its obligation to purchase hereunder and to take up and pay for the principal amount of the Notes to be purchased by such one or more Underwriters, the Company shall immediately notify the Representative, and the remaining Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them) or to substitute another Underwriter or Underwriters, satisfactory to the Company, to take up and pay for the principal amount of the Notes which such one or more Underwriters did not purchase. If one or more Underwriters shall, for any reason other than a reason permitted hereunder, fail to take up and pay for the principal amount of the Notes to be purchased by such one or more Underwriters, the Company shall immediately notify the Representative, and the remaining Underwriters shall be obligated to take up and pay for (in addition to the respective principal amount of the Notes set forth opposite their respective names in Schedule II hereto) the principal amount of the Notes which such defaulting Underwriter or Underwriters failed to take up and pay for, up to a principal amount thereof equal to, in the case of each such remaining Underwriter, 10% of the principal amount of the Notes set forth opposite the name of such remaining Underwriter in said Schedule II, and such remaining Underwriters shall have the right, within 24 hours of receipt of such notice, either to take up and pay for (in such proportion as may be agreed upon among them), or to substitute another Underwriter or Underwriters, satisfactory to the Company, to take up and pay for, the remaining principal amount of the Notes which the

defaulting Underwriter or Underwriters agreed but failed to purchase. If any unpurchased Notes still remain, then the Company or the Representative shall be entitled to an additional period of 24 hours within which to procure another party or parties, members of the National Association of Securities Dealers, Inc. (or if not members of such Association, who are not eligible for membership in said Association and who agree (i) to make no sales within the United States, its territories or its possessions or to persons who are citizens thereof or residents therein and (ii) in making sales to comply with said Association's Rules of Fair Practice) and satisfactory to the Company, to purchase or agree to purchase such unpurchased Notes on the terms herein set forth. In any such case either the Representative or the Company shall have the right to postpone the Closing Date for a period not to exceed three full business days from the date agreed upon in accordance with this paragraph 6, in order that the necessary changes in the Registration Statement and Prospectus and any other documents and arrangements may be effected. If (i) neither the non-defaulting Underwriters nor the Company has arranged for the purchase of such unpurchased Notes by another party or parties as above provided and (ii) the Company and the non-defaulting Underwriters have not mutually agreed to offer and sell the Notes other than the unpurchased Notes, then this Agreement shall terminate without any liability on the part of the Company or any Underwriter (other than an Underwriter which shall have failed or refused, in accordance with the terms hereof, to purchase and pay for the principal amount of the Notes which such Underwriter has agreed to purchase as provided in paragraph 4 hereof), except as otherwise provided in paragraph 7 and paragraph 8 hereof.

7. Covenants of the Company. The Company covenants with each Underwriter that:

(a) As soon as possible after the execution and delivery of this Agreement, the Company will file the Prospectus with the Commission pursuant to Rule 424, setting forth, among other things, the necessary information with respect to the terms of offering of the Notes. The Company will promptly deliver to the Representative and to counsel for the Underwriters, to the extent not previously delivered, one fully executed copy or one conformed copy, certified by an officer of the Company, of the Registration Statement, as originally filed, and of all amendments thereto, heretofore or hereafter made, (other than those relating solely to securities other than the Notes), including any post-effective amendment (in each case including all exhibits filed therewith and all documents incorporated therein not previously furnished to the Representative), including signed copies of each consent and certificate included therein or filed as an exhibit thereto, and will deliver to the Representative for distribution to the Underwriters as many conformed copies of the foregoing (excluding the exhibits, but including all documents incorporated therein) as the Representative may reasonably request. The Company will also send to the Underwriters as soon as practicable after the date of this Agreement and thereafter from time to time as many copies of the Prospectus as the Representative may reasonably request for the purposes required by the Securities Act.

(b) During such period (not exceeding nine months) after the commencement of the offering of the Notes as the Underwriters may be required by law to deliver a Prospectus, if any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Representative shall occur, which in the Company's opinion should be set forth in a supplement to or an amendment of the Prospectus in order to make the Prospectus not misleading in the light of the circumstances when it is delivered to a purchaser, or if it is necessary to amend the Prospectus to comply with the Securities Act, the Company will forthwith at its expense prepare and furnish to the Underwriters and dealers named by the Representative a reasonable number of copies of a supplement or supplements or an amendment

or amendments to the Prospectus which will supplement or amend the Prospectus so that as supplemented or amended it will comply with the Securities Act and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading. In case any Underwriter is required to deliver a Prospectus after the expiration of nine months after the commencement of the offering of the Notes, the Company, upon the request of the Representative, will furnish to the Representative, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or supplements or amendments to the Prospectus, complying with Section 10(a) of the Securities Act.

(c) The Company will make generally available to its security holders, as soon as reasonably practicable, but in any event not later than 16 months after the end of the fiscal quarter in which the filing of the Prospectus pursuant to Rule 424 occurs, an earning statement (in form complying with the provisions of Section 11(a) of the Securities Act, which need not be certified by independent public accountants) covering a period of twelve months beginning not later than the first day of the Company's fiscal quarter next following the filing of the Prospectus pursuant to Rule 424.

(d) The Company will use its best efforts promptly to do and perform all things to be done and performed by it hereunder prior to the Closing Date and to satisfy all conditions precedent to the delivery by it of the Notes.

(e) The Company will advise the Representative promptly of the filing of the Prospectus pursuant to Rule 424 and of any amendment or supplement to the Prospectus or Registration Statement or of official notice of institution of proceedings for, or the entry of, a stop order suspending the effectiveness of the Registration Statement and, if such a stop order should be entered, use its best efforts to obtain the prompt removal thereof.

(f) The Company will use its best efforts to qualify the Notes for offer and sale under the Blue Sky or legal investment laws of such jurisdictions as the Representative may designate, and will file and make in each year such statements or reports as are or may be reasonably required by the laws of such jurisdictions; provided, however, that the Company shall not be required to qualify as a foreign corporation or dealer in securities, or to file any general consents to service of process under the laws of any jurisdiction.

8. Payment of Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing and filing of the Registration Statement and the printing of this Agreement, (ii) the delivery of the Notes to the Underwriters, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the expenses in connection with the qualification of the Notes under securities laws in accordance with the provisions of paragraph 7(f), including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith, and in connection with the preparation of the Blue Sky Survey and any Legality Memorandum, such fees and disbursements not to exceed \$5,000, (v) the printing and delivery to the Underwriters of copies of the Registration Statement and all amendments thereto, of the preliminary prospectuses, and of the Prospectus and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of the Blue Sky Survey and Legality Memorandum, (vii) the preparation, execution, filing and recording by the Company of the Supplemental Indenture (such filing and recordation to be promptly made, after execution and delivery of the Supplemental Indenture to the Mortgage Trustees under the Mortgage in the counties in which the mortgaged property of the Company

is located); and the Company will pay all taxes, if any (but not including any transfer taxes), on the issue of the Notes and the filing and recordation of the Supplemental Indenture, and (viii) any filings required in order to perfect the interests of the Senior Note Trustee in the Senior Note First Mortgage Bonds and the proceeds thereof. The fees and disbursements of Underwriters' counsel shall be paid by the Underwriters (subject, however, to the provisions of this paragraph 8 requiring payment by the Company of fees and expenses not to exceed \$5,000); provided, however, that if this Agreement is terminated in accordance with the provisions of paragraph 9, 10 or 12, the Company shall reimburse the Representative for the account of the Underwriters for the fees and disbursements of Underwriters' counsel. The Company shall not be required to pay any amount for any expenses of the Representative or of any other of the Underwriters except as provided in paragraph 7 and in this paragraph 8. The Company shall not in any event be liable to any of the Underwriters for damages on account of the loss of anticipated profit.

9. Conditions of Underwriters' Obligations. The several obligations of the Underwriters to purchase and pay for the Notes shall be subject to the accuracy of the representations and warranties on the part of the Company as of the date hereof and the Closing Date, to the performance by the Company of its obligations to be performed hereunder prior to the Closing Date, and to the following further conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date and no proceedings for that purpose shall be pending before, or, to the Company's knowledge, threatened by, the Commission on the Closing Date; and the Representative shall have received, prior to payment for the Notes, a certificate dated the Closing Date and signed by the Chairman, President or a Vice President of the Company to the effect that no such stop order is in effect and that no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) At the time of execution of this Agreement, or such later date as shall have been consented to by the Representative, there shall have been issued and on the Closing Date there shall be in full force and effect orders of the North Carolina Utilities Commission and the South Carolina Public Service Commission authorizing the issuance and sale of the Notes and the Senior Note First Mortgage Bonds, none of which shall contain any provision unacceptable to the Representative by reason of its being materially adverse to the Company (it being understood that no such order in effect on the date of this Agreement and heretofore furnished to the Representative or counsel for the Underwriters, contains any such unacceptable provision).

(c) At the Closing Date, the Representative shall receive favorable opinions from: (1) Hunton & Williams, counsel to the Company, which opinion shall be satisfactory in form and substance to counsel for the Underwriters, and (2) _____, counsel for the Underwriters, in each of which opinions (except as to subdivisions (viii) (as to documents incorporated by reference, at the time they were filed with the Commission) and (x) of this subparagraph (c), as to which _____ need express no opinion) said counsel (except Hunton & Williams as to North Carolina law) may rely as to all matters of North Carolina and South Carolina law upon the opinions of Frank A. Schiller, Vice President of Progress Energy Service Company, counsel to the Company, and _____ [South Carolina counsel], respectively, to the effect that:

(i) The Senior Note Indenture has been duly and validly authorized by all necessary corporate action, has been duly and validly executed and delivered, and is a valid and legally binding obligation of the Company enforceable in accordance with its

terms, except as limited by bankruptcy, insolvency or other laws affecting the rights of mortgagees and other creditors, and by general equitable principles and any implied covenant of good faith and fair dealings; provided, however, that certain remedies, waivers and other provisions of the Senior Note Indenture may not be enforceable, but such unenforceability will not render the Senior Note Indenture invalid as a whole or affect the judicial enforcement of (i) the obligation of the Company to repay the principal, together with the interest thereon as provided in the Notes or (ii) the right of the Trustee to collect amounts due under the Senior Note First Mortgage Bonds;

(ii) The Mortgage has been duly and validly authorized by all necessary corporate action (with this opinion required in only the Hunton & Williams opinion as to the original Mortgage, the Sixty-fourth Supplemental Indenture, and subsequent Supplemental Indentures), has been duly and validly executed and delivered by the Company (with this opinion required in only the Hunton & Williams opinion as to the Sixty-fourth Supplemental Indenture and subsequent Supplemental Indentures), and is a valid and binding mortgage of the Company enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles and any implied covenant of good faith and fair dealing; provided, however, that certain remedies, waivers and other provisions of the Mortgage may not be enforceable, but such unenforceability will not render the Mortgage invalid as a whole or affect the judicial enforcement of (i) the obligation of the Company to repay the principal, together with the interest thereon as provided in the Senior Note First Mortgage Bonds or (ii) the right of the Mortgage Trustees to exercise their right to foreclose under the Mortgage;

(iii) The Mortgage and the Senior Note Indenture have been duly qualified under the 1939 Act;

(iv) Assuming authentication of the Notes by the Trustee in accordance with the Senior Note Indenture, and delivery of the Notes to and payment for the Notes by the Underwriters, as provided in this Agreement, the Notes have been duly and validly authorized, executed and delivered and are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting the rights of mortgagees and other creditors, and by general equitable principles and any implied covenant of good faith and fair dealings, and are entitled to the benefits of the Senior Note Indenture and will be secured equally and ratably with all other notes which may be issued under the Senior Note Indenture except insofar as any sinking or other fund may afford additional security for the notes of any particular series;

(v) The Senior Note First Mortgage Bonds have been duly and validly authorized, executed and delivered by the Company and, assuming authentication by the Corporate Trustee (as defined in the Mortgage) in accordance with the Mortgage and delivery to and payment for the Notes by the Underwriters, as provided in this Agreement, the Senior Note First Mortgage Bonds are legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting mortgagees' and other creditors' rights and general equitable principles, and the Senior Note First Mortgage Bonds are entitled to the benefits of the security afforded by the Mortgage and are secured equally and

ratably with all other bonds outstanding under the Mortgage except insofar as any sinking or other fund may afford additional security for the bonds of any particular series;

(vi) The statements made in the Prospectus under the captions "Description of First Mortgage Bonds" and "Description of Senior Notes" and in the Prospectus Supplement under the caption "Description of the Notes" insofar as they purport to constitute summaries of the documents referred to therein, are correct in all material respects;

(vii) This Agreement has been duly and validly authorized, executed and delivered by the Company;

(viii) The Registration Statement, at the time and date it was declared effective by the Commission, and the Prospectus, at the time it was filed with, or transmitted for filing to, the Commission pursuant to Rule 424 (except as to the financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein, upon which such opinions need not pass), complied as to form in all material respects with the requirements of the Securities Act and the 1939 Act and the applicable instructions, rules and regulations of the Commission thereunder; the documents or portions thereof filed with the Commission pursuant to the Exchange Act and deemed to be incorporated by reference in the Registration Statement and the Prospectus pursuant to Item 12 of Form S-3 (except as to financial statements and other financial and statistical data constituting a part thereof or incorporated by reference therein, upon which such opinions need not pass), at the time they were filed with the Commission, complied as to form in all material respects with the requirements of the Exchange Act and the applicable instructions, rules and regulations of the Commission thereunder; the Registration Statement has become effective under the Securities Act and, to the best of the knowledge of said counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and not withdrawn and no proceedings for a stop order with respect thereto are threatened or pending under Section 8 of the Securities Act;

(ix) Nothing has come to the attention of said counsel that would lead them to believe that the Registration Statement, at the time and date it was declared effective by the Commission, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, at the time it was filed with, or transmitted for filing to, the Commission pursuant to Rule 424 or at the Closing Date, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except as to financial statements and other financial and statistical data constituting a part of the Registration Statement or the Prospectus or incorporated by reference therein, upon which such opinions need not pass); and

(x) Orders have been entered by the North Carolina Utilities Commission and the South Carolina Public Service Commission authorizing the issuance and sale of the Notes and the Senior Note First Mortgage Bonds, and to the best of the knowledge of said counsel, said orders are still in force and effect; and no further filing with, approval,

authorization, consent or other order of any public board or body (except such as have been obtained under the Securities Act and as may be required under the state securities or Blue Sky laws of any jurisdiction) is legally required for the consummation of the transactions contemplated in this Agreement.

(d) At the Closing Date, the Representative shall receive from Frank A. Schiller, Vice President of Progress Energy Service Company, counsel to the Company, a favorable opinion in form and substance satisfactory to counsel for the Underwriters, to the same effect with respect to the matters enumerated in subdivisions (i) through (vii) and subdivisions (ix) and (x) of subparagraph (c) of this paragraph 9 as the opinions required by said subparagraph (c), and to the further effect that:

(i) The Company is a validly organized and existing corporation under the laws of the State of North Carolina and is duly qualified to do business as an electrical utility and is doing business in that state and in the State of South Carolina;

(ii) The Company is duly authorized by its Charter to conduct the business which it is now conducting as set forth in the Prospectus;

(iii) The Company has valid and subsisting franchises, licenses and permits and adequate for the conduct of its business;

(iv) The Company has good and marketable title, with minor exceptions, restrictions and reservations in conveyances, and defects, which are of the nature ordinarily found in properties of similar character and magnitude, and which, in his opinion, cannot in any substantial way impair the security afforded by the Mortgage, to all the properties described in the granting clauses of the Mortgage and upon which the Mortgage purports to create a lien, except certain rights-of-way over private property on which are located transmission and distribution lines formerly owned by the Tide Water Power Company (merged into the Company on February 29, 1952), title to which can be perfected by condemnation proceedings. The description in the Mortgage of the above-mentioned properties (including those formerly owned by Tide Water Power Company) is legally sufficient to constitute the Mortgage a lien upon said properties. Said properties constitute substantially all the permanent physical properties and franchises of the Company and are held by the Company free and clear of all liens and encumbrances except the lien of the Mortgage and Excepted Encumbrances, as defined in the Mortgage. The Company has followed the practice generally of purchasing rights-of-way and easements and certain small parcels of fee property appurtenant thereto and for use in conjunction therewith, and certain other properties of small or inconsequential value, without an examination of title and, as to the title to lands affected by rights-of-way and easements, of not examining the title of the lessor or grantor whenever the lands affected by such rights-of-way and easements are not of such substantial value as in the opinion of the Company to justify the expense attendant upon examination of titles in connection therewith. In his opinion such practice of the Company is consistent with good practice and with the method followed by other companies engaged in the same business and is reasonably adequate to assure the Company of good and marketable title to all such property acquired by it. It is his opinion that any such conditions or defects as may be covered by the above recited exceptions are not, except as to certain rights-of-way on which are located transmission

lines acquired from Tide Water Power Company, substantial and would not interfere with the Company's business operations. The Company has the right of eminent domain in the States of North Carolina and South Carolina under which it may, if necessary, perfect or obtain title to privately owned land or acquire easements or rights-of-way required for use or used by the Company in its public utility operations;

(v) The Company's Mortgage and Deed of Trust dated as of May 1, 1940 and the First through the Seventieth Supplemental Indentures thereto have been recorded and filed in such manner and in such places as may be required by law in order fully to preserve and protect the security of the bondholders and all rights of the Mortgage Trustees thereunder; and the Supplemental Indenture relating to the Senior Note First Mortgage Bonds is in proper form for filing for record both as a real estate mortgage and as a security interest in all counties in the States of North Carolina and South Carolina in which any of the property (except as any therein or in the Mortgage are expressly excepted) described therein or in the Mortgage as subject to the lien of the Mortgage is located;

(vi) The Mortgage constitutes a valid first mortgage lien of record upon all the franchises and properties now owned by the Company (other than those expressly excepted therefrom) situated in the States of North Carolina and South Carolina, as described or referred to in the granting clauses of the Mortgage, subject to the exceptions as to bankruptcy, insolvency and other laws stated in subdivision (ii) of subparagraph (c) above;

(vii) The issuance and sale of the Notes and the issuance and delivery of the Senior Note First Mortgage Bonds have been duly authorized by all necessary corporate action on the part of the Company;

(viii) Except as described in or contemplated by the Prospectus, there are no pending actions, suits or proceedings against or affecting the Company or any of its subsidiaries or properties which are likely, in the aggregate, to result in any material adverse change in the business, property, financial condition, earnings, business affairs, or business prospects of the Company and its subsidiaries considered as a whole or which are likely, in the aggregate, to materially and adversely affect the consummation of this Agreement, the Senior Note Indenture, the Notes or the transactions contemplated herein or therein; and

(ix) The consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not result in a breach of any of the terms or provisions of, or constitute a default under, the Charter, the Company's by-laws, applicable law or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company is now a party or any judgment, order, writ or decree of any government or governmental authority or agency or court having jurisdiction over the Company or any of its subsidiaries or any of their assets, properties or operations.

In said opinion such counsel may rely as to all matters of South Carolina law (except as to subdivisions (iii), (iv) and (vi) of this subparagraph (d)) on the opinion of _____ and as to all matters of New York law on the opinion of Hunton & Williams.

(e) At the Closing Date, the Representative shall receive from _____ [South Carolina counsel] a favorable opinion in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) The Company is an electrical utility engaged in the business of generating, transmitting, distributing and selling electric power to the general public in the States of South Carolina and North Carolina. The Company conducts its South Carolina retail operations subject to the jurisdiction of the South Carolina Public Service Commission pursuant to South Carolina Code Annotated, Sections 58-27-10 et seq. (1976 as amended);

(ii) The Company is duly qualified to engage in the business in which it is engaged in the State of South Carolina;

(iii) The Company's Mortgage and Deed of Trust dated as of May 1, 1940 and the First through the Seventieth Supplemental Indentures thereto have been recorded and filed in such manner and in such places as may be required by law, in the State of South Carolina, in order fully to preserve and protect the security of the bondholders and all rights of the Mortgage Trustees thereunder;

(iv) The Supplemental Indenture relating to the Senior Note First Mortgage Bonds is in proper form for filing for record both as a real estate mortgage and as a security interest in all counties in the State of South Carolina in which any of the property (except as any therein or in the Mortgage, are expressly excepted) described therein or in the Mortgage as subject to the lien of the Mortgage is located; and

(v) They have reviewed the opinion letter of even date therewith addressed to you by Frank A. Schiller, Vice President of Progress Energy Service Company, counsel to the Company, and they concur in the opinions which he has expressed therein insofar as they relate to the laws of the State of South Carolina.

(f) At the Closing Date, the Representative shall have received from Deloitte & Touche LLP a letter, dated the Closing Date, confirming that they are independent certified public accountants within the meaning of the Securities Act and the Exchange Act, and of the applicable published rules and regulations thereunder, and stating in effect that: (i) in their opinion, the audited financial statements incorporated by reference in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Securities Act or the Exchange Act, as applicable, and of the published rules and regulations thereunder; (ii) based on the performance of the procedures specified by the American Institute of Certified Public Accountants for review of interim financial information as described in Statement on Auditing Standards ("SAS") No. 71, Interim Financial Information, on the unaudited financial statements incorporated by reference in the Registration Statement, inquiries of officials of the Company responsible for financial and accounting matters and reading the minutes of meetings of the Board of Directors, of the Executive Committee of the Board of Directors and of the shareholders, nothing came to their attention that caused them to believe that (A) the unaudited financial statements incorporated by reference in the Registration Statement do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act or the Exchange Act, as applicable, and the published rules and regulations thereunder or any material modifications should be made for them to be in conformity with

generally accepted accounting principles applied on a basis substantially consistent with that of the most recent audited financial statements incorporated by reference in the Registration Statement; or (B) at the date of the latest available interim balance sheet read by them and at a subsequent date not more than three business days prior to the date of the letter, there was any change in the capital stock or long-term debt of the Company, or at the date of the latest available interim balance sheet read by them, there was any decrease in net assets as compared with the amount shown on the most recent balance sheet incorporated by reference in the Registration Statement, except for changes or decreases that the Registration Statement discloses have occurred or may occur, for declarations of dividends, for common stock sales under the Automatic Dividend Reinvestment and Customer Stock Ownership Plan and Stock Purchase-Savings Plan, or for changes or decreases that are described in the letter; and (iii) covering such other matters as the Representative shall reasonably request.

(g) At the Closing Date, the Representative shall receive a certificate of the Chairman, President or a Vice President of the Company, dated the Closing Date, to the effect that the representations and warranties of the Company in this Agreement are true and correct as of the Closing Date.

(h) All legal proceedings taken in connection with the sale and delivery of the Notes shall have been satisfactory in form and substance to counsel for the Underwriters.

In case any of the conditions specified above in this paragraph 9 shall not have been fulfilled or waived by 2:00 P.M. on the Closing Date, this Agreement may be terminated by the Representative by delivering written notice thereof to the Company. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8.

10. Conditions of the Company's Obligations. The obligations of the Company to deliver the Notes and the Senior Note First Mortgage Bonds shall be subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date, and no proceedings for that purpose shall be pending before or threatened by the Commission on the Closing Date.

(b) Prior to 12:00 Noon, New York time, on the day following the date of this Agreement, or such later date as shall have been consented to by the Company, there shall have been issued and on the Closing Date there shall be in full force and effect orders of the North Carolina Utilities Commission and the South Carolina Public Service Commission authorizing the issuance and sale by the Company of the Notes and the Senior Note First Mortgage Bonds, none of which shall contain any provision unacceptable to the Company by reason of its being materially adverse to the Company (it being understood that no such order in effect as of the date of this Agreement contains any such unacceptable provision).

In case any of the conditions specified in this paragraph 10 shall not have been fulfilled at the Closing Date, this Agreement may be terminated by the Company by mailing or delivering written notice thereof to the Representative. Any such termination shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8.

11. Indemnification.

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person who controls any Underwriter within the meaning of Section 15 of the Securities Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or under any other statute or common law and to reimburse each such Underwriter and each such controlling person for any legal or other expenses (including to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages or liabilities or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement, or alleged untrue statement, of a material fact contained in the Registration Statement, any preliminary prospectus or the Prospectus, or in the Registration Statement or Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the indemnity agreement contained in this paragraph 11 shall not apply to any such losses, claims, damages, liabilities, expenses or actions arising out of, or based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by any Underwriter through the Representative for use in the Registration Statement, any preliminary prospectus or the Prospectus, or any amendment or supplement to any thereof, or arising out of, or based upon, statements in or omissions from that part of the Registration Statement which shall constitute the Statements of Eligibility under the 1939 Act (Forms T-1 and T-2) of the Mortgage Trustees under the Mortgage and the Senior Note Trustee under the Senior Note Indenture, and provided, further, that the indemnity agreement contained in this paragraph 11 shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any such losses, claims, damages, liabilities, expenses or actions arising from the sale of the Notes to any person if a copy of the Prospectus (excluding documents incorporated by reference therein) shall not have been given or sent to such person by or on behalf of such Underwriter with or prior to the written confirmation of the sale involved, unless such Prospectus failed to correct the omission or misstatement. The indemnity agreement of the Company contained in this paragraph 11 and the representations and warranties of the Company contained in paragraph 3 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or any such controlling person and shall survive the delivery of the Notes. The Underwriters agree to notify promptly the Company, and each other Underwriter, of the commencement of any litigation or proceedings against them or any of them, or any such controlling person, in connection with the sale of the Securities.

(b) Each Underwriter severally, and not jointly, agrees to indemnify and hold harmless the Company, its officers and directors, and each person who controls the Company within the meaning of Section 15 of the Securities Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or under any other statute or common law, and to reimburse each of them for any legal or other expenses (including, to the extent hereinafter provided, reasonable counsel fees) incurred by them, when and as incurred, in connection with investigating any such losses, claims, damages, or liabilities, or in connection with defending any actions, insofar as such losses, claims, damages, liabilities, expenses or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any preliminary prospectus or the Prospectus as amended or supplemented (if any amendments or supplements thereto shall have been furnished), or the omission or alleged omission to state

therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished herein or in writing to the Company by such Underwriter or through the Representative on behalf of such Underwriter, for use in the Registration Statement, any preliminary prospectus or the Prospectus or any amendment or supplement to any thereof. The indemnity agreement of all the respective Underwriters contained in this paragraph 11 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company or any other Underwriter, or any such controlling person, and shall survive the delivery of the Notes. The Company agrees promptly to notify the Representative of the commencement of any litigation or proceedings against the Company or any of its officers or directors, or any such controlling person, in connection with the sale of the Notes.

(c) The Company and each of the Underwriters agree that, upon the receipt of notice of the commencement of any action against it, its officers and directors, or any person controlling it as aforesaid, in respect of which indemnity may be sought on account of any indemnity agreement contained herein, it will promptly give written notice of the commencement thereof to the party or parties against whom indemnity shall be sought hereunder. The Company and each of the Underwriters agree that the notification required by the preceding sentence shall be a material term of this Agreement. The omission so to notify such indemnifying party or parties of any such action shall relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party on account of any indemnity agreement contained herein if such indemnifying party was materially prejudiced by such omission, but shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party otherwise than on account of such indemnity agreement. In case such notice of any such action shall be so given, such indemnifying party shall be entitled to participate at its own expense in the defense or, if it so elects, to assume (in conjunction with any other indemnifying parties) the defense of such action, in which event such defense shall be conducted by counsel chosen by such indemnifying party (or parties) and satisfactory to the indemnified party or parties who shall be defendant or defendants in such action, and such defendant or defendants shall bear the fees and expenses of any additional counsel retained by them; but if the indemnifying party shall elect not to assume the defense of such action, such indemnifying parties will reimburse such indemnified party or parties for the reasonable fees and expenses of any counsel retained by them, as such expenses are incurred; provided, however, if the defendants (including any impleaded parties) in any such action include both the indemnified party and the indemnifying party, and counsel for the indemnified party shall have concluded, in its reasonable judgment, that there may be a conflict of interest involved in the representation by such counsel of both the indemnifying party and the indemnified party, the indemnified party or parties shall have the right to select separate counsel, satisfactory to the indemnifying party, to participate in the defense of such action on behalf of such indemnified party or parties (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel representing the indemnified parties who are parties to such action).

(d) If the indemnification provided for in subparagraphs (a) or (b) above is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the

Underwriters, on the other hand, from the offering of the Notes pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and of the Underwriters, on the other hand, in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Notes pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Notes pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the Underwriters, in each case as set forth on the cover of the Prospectus, bear to the aggregate initial public offering price of the Notes as set forth on such cover. The relative fault of the Company, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this paragraph (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subparagraph (d). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this subparagraph (d), each person, if any, who controls an Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this subparagraph (d) are several in proportion to the number of Notes set forth opposite their respective names in Schedule II hereto and not joint.

(e) For purposes of this paragraph 11, it is understood and agreed that the only information provided by the Underwriters for inclusion in the Registration Statement and Prospectus was as follows: _____.

12. Termination Date of this Agreement. This Agreement may be terminated by the Representative at any time prior to the Closing Date by delivering written notice thereof to the Company, if on or after the date of this Agreement but prior to such time (a) there shall have occurred any general suspension of trading in securities on the New York Stock Exchange, or there shall have been established by the New York Stock Exchange or by the Commission or by any federal or state agency or by the decision of any court any limitation on prices for such trading or any restrictions on the distribution of securities, or (b) there shall have occurred any new outbreak of hostilities, including, but not limited to, an escalation of hostilities which existed prior to the date of this Agreement or any national or international calamity or crisis, the effect of which on the financial markets of the United States shall be such as to make it impracticable, in the reasonable judgment of the Representative, for the Underwriters to enforce contracts for the sale of the Notes, or (c) the Company shall have sustained a substantial loss

by fire, flood, accident or other calamity which renders it impracticable, in the reasonable judgment of the Representative, to consummate the sale of the Notes and the delivery of the Notes by the several Underwriters at the initial public offering price or (d) there shall have been any downgrading or any notice of any intended or potential downgrading in the rating accorded the Company's securities by any "nationally recognized statistical rating organization" as that term is defined by the Commission for the purposes of Securities Act Rule 436(g)(2), or any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Notes, the Senior Note First Mortgage Bonds or any of the Company's other outstanding debt, the effect of which in the reasonable judgment of the Representative, makes it impracticable or inadvisable to consummate the sale of the Notes and the delivery of the Notes by the several Underwriters at the initial public offering price. This Agreement may also be terminated at any time prior to the Closing Date if in the reasonable judgment of the Representative the subject matter of any amendment or supplement to the Registration Statement or Prospectus (other than an amendment or supplement relating solely to the activity of any Underwriter or Underwriters) filed after the execution of this Agreement shall have materially impaired the marketability of the Notes. Any termination hereof pursuant to this paragraph 12 shall be without liability of any party to any other party except as otherwise provided in paragraphs 7 and 8.

13. Miscellaneous. The validity and interpretation of this Agreement shall be governed by the laws of the State of _____. Unless otherwise specified, time of day refers to New York City time. This Agreement shall inure to the benefit of, and be binding upon, the Company, the several Underwriters, and with respect to the provisions of paragraph 11, the officers and directors and each controlling person referred to in paragraph 11, and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors" as used in this Agreement shall not include any purchaser, as such purchaser, of any of the Notes from any of the several Underwriters.

14. Notices. All communications hereunder shall be in writing or by telefax and, if to the Underwriters, shall be mailed, transmitted by any standard form of telecommunication or delivered to the Representative at the address set forth in Schedule I hereto and if to the Company, shall be mailed or delivered to it at 410 South Wilmington Street, Raleigh, North Carolina 27601, attention of _____.

15. Counterparts. This Agreement may be simultaneously executed in counterparts, each of which when so executed shall be deemed to be an original. Such counterparts shall together constitute one and the same instrument.

16. Defined Terms. Unless otherwise defined herein, capitalized terms used in this Underwriting Agreement shall have the meanings assigned to them in the Registration Statement.

[The remainder of this page has been intentionally left blank.]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed duplicate hereof whereupon it will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

CAROLINA POWER & LIGHT COMPANY

By : _____
Authorized Representative

Accepted as of the date first
above written, as Underwriter
named in, and as the Representative
of the other Underwriters named in, Schedule II.

_____ [NAME OF REPRESENTATIVE]

By: _____
Authorized Representative

SCHEDULE I

Underwriting Agreement dated _____

Registration Statement No. 333-_____

Representative and Addresses:

Attention: _____

with a copy of any notice pursuant to Section 11(a) to:

Attention: Legal Department

Designation: Senior Notes, _____% Series Due _____

Principal Amount: \$ _____

Secured by: First Mortgage Bonds, _____% Senior Note Series Due _____

Indenture: Indenture (For Senior Notes) dated as of March 1, 1999, as previously supplemented, and Second Supplemental Indenture, dated as of April 1, 2000, to Indenture (For Senior Notes)

Date of Maturity: _____

Interest Rate: _____% per annum, payable _____ and _____ of each year, commencing _____.

Record Dates: _____ and _____, commencing _____.

Purchase Price: _____% of the principal amount thereof.

Public Offering Price: _____% of the principal amount thereof.

Redemption Terms:

Closing Date and Location:

Hunton & Williams
One Hannover Square, 14th Floor
Raleigh, North Carolina 27601

SCHEDULE II

Underwriters

Principal Amount

TOTAL \$

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Doc #: 132636; V. 4

Doc Name: CP&L/2000 S-3 (shelf/Exh. 1(b)/form of underwriting agreement for senior notes

Author: Seal, Welton, 08220

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